

Name: _____

County: _____

Date: _____

**OPEN-SPACE PROPERTIES
SELF-STUDY TRAINING SESSION**

REVIEW QUESTIONS

Chapter 1 - Introduction

1. Section 423.4 makes provisions for the _____
also known as _____ which increases
the contract term to _____ years.

2. Trees and vines under contract are to be valued in the _____
_____ as land.

3. Which of the following is not correct with regard to a compatible use?
☐ Cannot harm soil fertility.
☐ Cannot benefit other property owners.
☐ Cannot induce nonagricultural development of surrounding lands.
☐ Cannot obstruct or displace potential agricultural operations.

4. Section 423 prescribes factors to be considered in valuing restricted property.
These factors include:
 1. _____

 2. _____

 3. _____

5. Section 423 limits the maximum period for crop rotation to no more than six years.

☐ True
☐ False

Chapter 2 – Valuation of Land

6. Except for _____ and _____ contracts, the basic appraisal method applicable to the valuation of open-space land subject to an enforceable restriction is the income approach to value.

7. The income to be capitalized is the _____ attributable to the land.

8. Of the following, which is not correct when rebutting the property's present use as its highest and best use?

☐ The use must only require minimal cost for change over.
☐ The use must be compatible with the agricultural uses permitted.
☐ The use must be common or general for comparable properties.
☐ The use must increase the total economic return of the property.

9. In calculating the economic feasibility of an alternative use, the new and/or additional costs need to be analyzed. Examples of costs that need to be included in the analysis include, but are not limited to

a. _____

b. _____

c. _____

d. _____

e. _____

10. There is a rebuttable presumption that the _____ of open-space land is its highest and best use.

11. The appraiser cannot arbitrarily impute a _____ amount as income to a property merely because there is _____ rental information to estimate an economic income.

12. What are the basic methods for determining the economic income of a parcel to be valued under the provisions of section 423?

a. _____

b. _____

c. _____

13. Cash rental analysis is generally the _____ and _____ method for determining a property's economic rent.

14. The _____ annual tabulation of commodity prices is generally a good source of historical prices.

15. Internal access roads, head ditches, etc., are not deducted from the farmable acreage because they are _____ to the operation of the agricultural enterprise.

16. The following facts are true about income from water except:

- ☐ Sales of excess water is allowed by the water district.
- ☐ It is a permitted compatible use.
- ☐ Income capitalized must be based on income actually received.
- ☐ It must be sold to contiguous property.

17. Production risk results from _____ risk while productivity risk results from _____ risk.

18. In projecting historical prices, the appraiser should recognize the following principles which establish that:

a. _____

b. _____

c. _____

d. _____

19. The assessor must not assume that any use allowed by a contract approved by the county/city administration is a compatible use.

☐ True

☐ False

20. For transitional property, the value is the present worth of:

a. _____

b. _____

21. Some events may have effect of both productivity and production risk.

☐ True

☐ False

22. There shall be a rebuttable presumption that prudent management does not include use of the land for a recreational use _____.

23. Section 423 (b) is very specific concerning the composition of the capitalization rate to be used in determining restricted land values. It shall be the sum of:

- a. _____
- b. _____
- c. _____
- d. _____

24. A basic problem with the owner-operator return analysis is that the income generated by a farm is attributable to two businesses:

- a. _____
- b. _____

25. Compute the value for the following foreign improvement site.

The operation has a one acre tower site leased for 15 years at \$750.00/year.

The term and rent are considered proper. The restricted land value for agricultural property purposes is \$350.00/acre. The open-space capitalization rate is 7 percent (interest, taxes, and risk.) **(Use the back of sheet for answer)**

26. If a commercial use is a permitted compatible use, the assessor must value the commercial enterprise site similar to that described for the valuation of a foreign improvement site.

- ☐ True
- ☐ False

27. The three methods of estimating agricultural income vary considerably in degree of difficulty and reliability. The degree of difficulty depends upon _____

_____ and
the reliability depends upon _____

28. In attempting to rebut the presumption that prudent management would not include recreational use income, each case must be judged on its own specific facts. There are certain basic requirements that must be considered. They are:

a. _____

b. _____

c. _____

29. List problems that can complicate the capitalization process of exploration/extraction leases.

a. _____

b. _____

c. _____

30. When valuing Production Flexibility Contracts, what questions arise when a grower voluntarily grows a certain crop or restricts the acreage planted?

a. _____

b. _____

c. _____

Chapter 3 – Valuation of Trees, Vines, and Other Living Improvements

31. Share rents from analysis of short-term leases can only be applied to orchards or vineyards in the same _____.

32. The valuation of an orchard or vineyard must take into consideration the expected income for its entire remaining economic life. What is the four fold valuation problem?

a. _____

b. _____

c. _____

d. _____

33. Being familiar with farming practices as they pertain to the economic life of orchard and vineyard properties is key to the proper valuation of this type of property.

☐ True

☐ False

34. If the economic income generated by the total property is too small to produce a residual income attributable to the living improvements, what value will be placed on the land; living improvements?

Land: _____

Living improvements _____

35. What are three acceptable methods of estimating income attributable to land:

1. _____

2. _____

3. _____

36. Explain how the income is processed when valuing restricted land, living improvements, and non-living improvements

Chapter 4 – Valuation of Nonliving Improvements

37. Restricted non-living improvements, living improvements, and land form their own _____ for the purpose of value comparison for the lowest of _____, _____ or _____ in order that the lowest value be enrolled.
38. If the open space contract allows for the restriction under section 423(e) of non-living improvements, the improvements must _____ to the income of the land.
39. When processing the income stream to determine that value attributable to non-living improvements, the amount is calculated using a _____ rate, and when valuing the restricted non-living improvements a _____ rate is used.

Chapter 5 – Valuation of Residential Sites

40. If a restricted property was purchased in 1995 and a home built in 2000 and a new pool in 2001, what is the base year for the site?
- ☐ 2001
- ☐ 1995
- ☐ 2000
- ☐ any of the above
41. The size of a homesite on restricted property is limited to:
- ☐ 1 acre
- ☐ ½ acre
- ☐ 2 acres
- ☐ Whatever is reasonable

Chapter 6 – Valuation of Mineral Deposits

42. The proper method of valuing open-space land that contains valuable mineral deposits is to:

- a. _____

b. _____

43. Taxable mineral rights must be valued on restricted property. When valued they must be valued in the same manner as surface rights.

- ☐ True
☐ False

Chapter 7 – Total Property Value

44. Section 423(b) provides, that unless a party to the contract expressly prohibits such a valuation, the current taxable value of the property cannot exceed the lower of:

- a. _____
b. _____
c. _____

45. Restricted Property –(non-living improvements are not restricted)

150 acres of level irrigated land

The irrigation pump on this parcel irrigates this parcel plus another 50 acre parcel under the same ownership.

Pumps RCLD \$80,000 REL 25 years (\$30,000 FBVY)

Well RCLD \$30,000 REL 50 years

Income

Four year crop rotation; Alfalfa 3 years; Barley & Beans 1 year (double crop).

(See next page)

Share Rent

<u>Crop</u>	<u>Share</u>	<u>Price</u>	<u>Yield</u>
Alfalfa	25%	\$150/ton	7 ton/ac
Barley	25%	\$175/ton	2 ton/ac
Beans	25%	\$.45/lb	1.5 ton/ac

Owners expenses

Management and Insurance 3% of gross share

Open Space Rate

8% (6% Yield; 1% Risk, 1% Taxes)

Current Market

7.5% Yield

What is the total property value? (**Use the back of sheet for answer**)

46. The total appraised value of rural property subject to open-space restrictions shall include all the following except:

- ☐ Restricted land value.
- ☐ Current market value of non-living improvements if higher than FBYV.
- ☐ Restricted living improvements.
- ☐ Value of mineral rights.

Chapter 8 – Valuation of Land Subject To Terminating Restrictions

47. You have a parcel of land subject to CLCA contract that is under non-renewal and has a current market value of \$4,800/ac, a factored base year value of \$4,300/ac, and a restricted value of \$3,700/ac. The open-space interest component announced by the State Board of Equalization is 5%. In addition, the county has adopted the provisions of Section 423.3 and the taxable value for this property without consideration of the non-renewal process would be 70 percent of the factored base year value.

What would be the value for the first year of renewal? (**Use the back of the sheet for answer**)

Chapter 9 – Cancellation Procedures

48. The fee can be waived for open-space contracts if approved by the Secretary of Resource Agency.

- ☐ True
- ☐ False

49. The cancellation fee is a minimum of _____ for open-space contracts and _____ for Farmland Security Zone contracts.

Chapter 10 – Valuation of Wildlife Habitats

50. When valuing Wildlife Habitat contracts under section 423.7(b), sales of less than 150 acres cannot be used unless the sale is of an undivided interest in the land.

- ☐ True
- ☐ False

51. Land subject to Wildlife Habitats are valued in the same manner as California Land Conservation Act properties.

- ☐ True
- ☐ False

Chapter 11 – Wetlands Mitigation Banking

52. Of the following, which is not correct?

- ☐ Wetland Mitigation Banks are considered a major rehabilitation
- ☐ No credits are provided for wetland acreage already in existence
- ☐ There are strict rules that apply to the cancellation of a wetland mitigation bank.
- ☐ Taxable value of a bank is the lower of 1) adjusted base year value or 2) current market value.

53. Wetland mitigation banking is a _____.

54. List two requirements of all property owners seeking to obtain the necessary permit from governmental agencies to develop their lands:

a. _____

b. _____

55. List the factors used to verify that the minimum value of the credit equals the average cost for each wetland acre created.

a. _____

b. _____

c. _____

d. _____

e. _____

f. _____

56. Does the conveyance of wetland credits to a permittee constitute a transfer of rights that would meet the change of ownership test of section 60?

☐ Yes

☐ No

57. Development of real property that adversely affects wetlands must be authorized in advance through a "Section 404" permit. The applicant must establish, in sequence, that:

- a. _____

- b. _____

- c. _____

58. What are the methods of compensation for impacts?

- a. _____

- b. _____

59. Before any bank site may be created, a memorandum is required which includes:

- a. _____

- b. _____

- c. _____

- d. _____

- e. _____

60. Standard conditions of such agreements provide that the credits sold are transferable and assignable.

☐ True

☐ False

61. What are the two types of wetland mitigation banks.

a. _____

b. _____
